

Message Text

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73

ACTION EUR-25

INFO OCT-01 NEA-10 IO-12 ADP-00 AID-20 CEA-02 CIAE-00

COME-00 EB-11 FRB-02 INR-10 NSAE-00 RSC-01 CIEP-02

STR-08 TRSE-00 LAB-06 SIL-01 SAL-01 OMB-01 INT-08

OEP-01 SCEM-02 SAJ-01 AEC-11 SS-14 NSC-10 PA-03 PRS-01

USIA-12 GAC-01 RSR-01 /178 W
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R 291845 Z MAR 73

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 4971

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY JIDDA

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TEHRAN

USMISSION GENEVA

USMISSION OECD PARIS

UNCLAS EC BRUSSELS 1750

E. O. 11652: N/ A

TAGS: ENRG, EEC, US, ETRD

SUBJ: EC ENERGY POLICY, SPEECH BY EC COMMISSION

VICE PRESIDENT SIMONET

1. SUMMARY. IN A SPEECH ON MARCH 28, EC COMMISSION
VICE PRESIDENT SIMONET ADDRESSED THE QUESTION OF
EC ENERGY POLICY TOWARD BOTH CONSUMING AND PRODUCING
COUNTRIES. HE DESCRIBED THE NEED FOR COOPERATION
AMONG CONSUMING COUNTRIES IN ORDER TO AVOID PRICE LEAPFROGGING.
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HE DESCRIBED THE ROLE OF THE INTERNATIONAL COMPANIES AS ONE OF DECLINING POWER. HE SUGGESTED THAT THE COMMUNITY COULD PLAY A ROLE IN THE ECONOMIC DEVELOPMENT OF PRODUCING COUNTRIES. HE NOTED, HOWEVER, THAT THERE WAS A LINK BETWEEN TRADE IN OIL PRODUCTS OF INTEREST TO THE COMMUNITY AND ANY PRIVILEGED COMMERCIAL LINKS THAT MIGHT BE SOUGHT BY THE PRODUCING COUNTRIES. THE FOLLOWING REPORT IS BASED ON PRESS REPORTS. THE MISSION HAS BEEN PROMISED A COPY OF THE DUTCH TEXT (ONLY TEXT PRESENTLY AVAILABLE). IT WILL BE TRANSLATED AND FORWARDED TO THE DEPARTMENT. END SUMMARY.

2. IN A SPEECH TO A FLEMISH EMPLOYERS' ASSOCIATION ON MARCH 28, EC COMMISSION VICE PRESIDENT SIMONET, WHO WITHIN THE COMMISSION IS RESPONSIBLE FOR ENERGY POLICY, SPOKE OF THE IMPORTANCE FOR THE COMMUNITY TO ADOPT A COHERENT POLICY WITH REGARD TO OTHER CONSUMING COUNTRIES AND WITH REGARD TO THE PRODUCING COUNTRIES.

3. HE NOTED THAT ANY POLICY AIMED AT SUPPLY SECURITY AT REASONABLE COSTS COULD NOT BE PURSUED IN ISOLATION. IF THIS WAS ATTEMPTED THE VARIOUS CONSUMING COUNTRIES WOULD FIND THEMSELVES DRIVING PRICES UP AS THEY TRIED TO OUTDO ONE ANOTHER IN OBTAINING PETROLEUM SUPPLIED FROM THE PRODUCING COUNTRIES.

4. SIMONET WENT TO SOME LENGTH TO DESCRIBE THE POSITION OF THE INTERNATIONAL OIL COMPANIES IN THE PRESENT PETROLEUM MARKET. SIMONET INDICATED THAT THE POWER OF THESE COMPANIES WAS IN DECLINE AND HE SUGGESTED THAT IN THE FUTURE THEY MAY END UP AS " TECHNICAL INTERMEDIARIES" BETWEEN PRODUCING AND CONSUMING COUNTRIES. ACCORDING TO SIMONET, OIL COMPANIES ARE CAUGHT BETWEEN THE ENHANCED POSITION OF THE PRODUCING COUNTRIES AND DEVELOPMENTS WHICH HAVE OCCURRED IN THE CONSUMING COUNTRIES WHERE, INCREASED COMPETITION BETWEEN THE COMPANIES THEMSELVES, PRICE CONTROLS ESTABLISHED BY GOVERNMENTS, AND GROWING SUSPICION AMONG THE PUBLIC WITH REGARD TO MULTINATIONAL ENTERPRISES HAVE REDUCED THE COMPANIES' FREEDOM OF ACTION.

5. THE REDUCED PROFITABILITY OF THE INTERNATIONAL COMPANIES HAD COME AT THE VERY TIME WHEN THERE WAS INCREASING NEED FOR CAPITAL OUTLAYS BOTH UPSTREAM AND DOWNSTREAM IN ORDER TO KEEP UP WITH THE RISING LEVEL OF DEMAND. SIMONET SUGGESTED
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THAT CONSUMERS WOULD IN THE FUTURE BE LOOKING TO THEIR

GOVERNMENTS RATHER THAN TO THE COMPANIES TO NEGOTIATE WITH THE PRODUCING COUNTRIES.

6. SIMONET STATED THAT EUROPE IS IN A POSITION TO PLAY A ROLE IN THE ECONOMIC DEVELOPMENT OF PRODUCING COUNTRIES. THIS ROLE SHOULD BE SEEN IN THE GENERAL CONTEXT OF EC RELATIONS WITH THIRD COUNTRIES-- PARTICULARLY THOSE IN THE DEVELOPING WORLD. SIMONET MADE CLEAR, HOWEVER, THAT IN HIS OPINION IT WOULD BE NECESSARY TO INTRODUCE A LINK BETWEEN TRADE IN OIL PRODUCTS OF INTEREST TO THE COMMUNITY AND ANY COMMERCIAL PRIVILEGES THAT THE PRODUCING COUNTRIES MIGHT SEEK FROM THE COMMUNITY IN EXCHANGE. SIMONET ALSO SUGGESTED THAT IT MIGHT NOT BE IN THE INTEREST IN THE PRODUCING COUNTRIES TO LINK THEMSELVES TOO CLOSELY TO A SINGLE CONSUMING COUNTRY. MORE SPECIFICALLY, HE SUGGESTED THAT SAUDI ARABIA SHOULD AVOID LINKING ITSELF EXCLUSIVELY TO THE UNITED STATES. SIMONET ACKNOWLEDGED THAT THE US PROVIDES POLITICAL AND MILITARY COVER FOR SAUDI ARABIA, BUT HE ADDED, IF THE LINK BETWEEN THESE TWO COUNTRIES WERE TOO CLOSE THERE WERE RISKS THAT A DANGEROUS FACTOR OF DISSEQUILIBRIUM WOULD BE INTRODUCED IN THE MIDDLE EAST.

7. LOOKING TO THE FUTURE, SIMONET STATED THAT ONLY NUCLEAR ENERGY COULD PROVIDE THE COMMUNITY WITH EVENTUAL ENERGY INDEPENDENCE. HE WARNED, HOWEVER, THAT EVEN WITH PRESENT TECHNIQUES OF PRODUCING ENRICHED URANIUM THERE WAS LITTLE HOPE THAT ENERGY INDEPENDENCE COULD BE ACHIEVED BEFORE THE BEGINNING OF THE NEXT CENTURY.

8. THE MISSION WILL TRANSLATE THE DUTCH TEXT OF THE SIMONET SPEECH WHEN AVAILABLE AND FORWARD COPIES TO THE DEPARTMENT.
GREENWALD

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*** Current Handling Restrictions *** n/a

*** Current Classification *** UNCLASSIFIED

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 29 MAR 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973ECBRU01750
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: n/a
Errors: n/a
Film Number: n/a
From: EC BRUSSELS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730342/aaaaimer.tel
Line Count: 152
Locator: TEXT ON-LINE
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: kellerpr
Review Comment: n/a
Review Content Flags:
Review Date: 22 OCT 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <22-Oct-2001 by hagers>; APPROVED <20-Dec-2001 by kellerpr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> srp 980108
Subject: EC ENERGY POLICY, SPEECH BY EC COMMISSION VICE PRESIDENT SIMONET
TAGS: ENRG, ETRD, US, EEC
To: EUR
SECSTATE WASHDC INFO MULTIPLE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005